

Mr. ALGER. You see this just does not exist. It exists somewhere. I mean it is something which seems to have caught on.

For instance, I am just trying to point out, last year if we had owned the big companies, we would have lost a lot of money. We did not own them. We had cash at the right time and the companies we did own were growth stocks. This year growth stocks have been wonderful, but in the past 6 weeks we have been moving out of growth stocks into cash and into more traditional kinds of companies, companies which represent more nearly the economy. I think we just basically feel that growth stocks have had it.

But when you talk about speculation, last year I would have been speculating badly to have owned General Motors and not speculating very much if I had owned say Polaroid or something like that. We are not putting labels on stocks. It is a question of whether they are going to make money for you or not, the texture of markets change.

Mr. KEITH. What is the relationship of your board of directors with that of the mutual funds whose portfolio you advise?

Mr. ALGER. Well, in the biography at the very back it has me on the board of Security Investment Fund. That is a misprint. Actually, I recently went on the board of Security Management Co. I am not on the board of Security Investment Fund, which is a balanced income fund we also run.

Mr. KEITH. You said "we also run." You did not say "we also advise." That gets to a point that I have been trying to make throughout these hearings, that to all intents and purposes the funds are run by the companies and not advised by them, and that is what you said just now.

Mr. ALGER. Well, we run the portfolios, yes. There is no question about that.

Mr. KEITH. I realize that you manage the portfolio, but you said "run the fund."

Mr. ALGER. You know there is a problem in all of these discussions about arm's length or running the fund.

For instance, if a mutual fund did not allow a vote to its shareholders at all, we probably would not be having these discussions at all. If it were just treated like a stock insurance policy which you were to own, and you could also buy the stock in the insurance company, there would be no problem. I mean it is a product. If we just did away with the vote for the shareholder, there really would be no problem. It is a product which we run, that is right. It is a very competitive one. The rewards are tremendous, because if we do well, as you can see, it will grow from \$400,000 to \$60 million.

We do not have a captive sales force, but the independent broker-dealers will pick it up and sell it, because it is a good product and it is easy to sell, and we can prove it is a good product.

Mr. KEITH. Do you believe that there is the usual relationship between stockholder and management in mutual funds?

Mr. ALGER. Sure. It is just like any other company. Stockholders do not run the management of any company in the United States of any size practically.

Mr. KEITH. But the board of directors in the average corporation, when they are dealing with a service or a product which they are